

Legislative Analysis



TREAT JUVENILE JUSTICE WORKERS AS COVERED EMPLOYEES IN RETIREMENT SYSTEM

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House Bill 5966

Sponsor: Rep. Paul Opsommer

Committee: Retiree Health Care Reforms

Complete to 5-5-08

A SUMMARY OF HOUSE BILL 5966 AS INTRODUCED 4-9-08

The State Employees Retirement Act has separate retirement provisions for employees in positions known as "covered positions." These are, generally speaking, employees responsible for the custody and supervision of prisoners. The act contains a list of such employees. House Bill 5966 would add to the list, "on or after October 1, 2007, a position in the Bureau of Juvenile Justice in the Department of Human Services."

Under the act, covered employees are eligible for a supplemental pension at age 51 with 25 years in a covered position, or at age 56 with 10 years in a covered position. In both situations, the last three years of employment must be in a covered position. At age 62, these employees begin to receive a straight life pension like those of other state employees. Prior to that, they are eligible for a supplemental pension calculated as follows (according to Office of Retirement Services materials):

First, the employee calculates the straight life pension (Final Average Compensation times 1.5 percent times Years of Service). Then the supplemental pension is calculated by multiplying the employee's FAC times one-half percent times Covered Years of Service. The month after turning 62, the supplemental pension stops and the employee receives a straight life pension only.

The bill would make employees in the DHS Juvenile Justice Bureau eligible for the earlier retirement and supplemental pension.

MCL 38.45

FISCAL IMPACT:

The will create an unfunded liability to the retirement system, depending on how many people take the earlier retirement. An actuarial evaluation is required to determine this.

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